

**1300 W. WASHINGTON STREET  
PHOENIX, AZ 85007  
NOVEMBER 15, 2007  
MINUTES**

Prior to calling the meeting to order, Chairman Cordasco conducted a "Yellow Rose" ceremony for Board Member Reese Woodling. Chairman Cordasco stated that there is a tradition his family has had for some time. When there is a passing of a family member or dear friends, a yellow rose is passed around. As everyone on the Board and staff knew, Mr. Woodling's son passed recently. A yellow rose was passed around to Mr. Woodling from all members of staff and the Board present today. As the rose was being passed, Mr. Cordasco stated that the rose represents the warmth of the sun, the hope that it brings in the sunrise every day; it also represents the love and appreciation that we have for Reese and his family.

**Board Members Present:**

William C. Cordasco  
William Scalzo  
Arlan Colton  
Reese Woodling  
William Porter

**Board Members Absent:**

Tracey Westerhausen  
Mark Winkleman

**Attorney General's Office**

Joy Hernbrode

**Staff Present:**

Kenneth E. Travous, Executive Director  
Jay Ream, Assistant Director – Parks  
Jay Ziemann, Assistant Director – Partnerships and External Affairs  
Mark Siegwarth, Assistant Director – Administration  
Cristie Statler, Assistant Director – Outreach  
Debi Busser, Executive Secretary

**A. CALL TO ORDER - ROLL CALL – BOARD STATEMENT – 10:00 A.M.**

Chairman Cordasco called the meeting to Order at 10:08 a.m. He then read the Board Statement.

1. **Board Statement** - "As Board members we are gathered to be the stewards and the voice of Arizona State Parks' Mission Statement: Managing and Conserving Arizona's Natural, Cultural, and Recreational Resources, Both In Our Parks and Through Our Partners for the Benefit of the People."

**B. INTRODUCTIONS OF BOARD MEMBERS AND AGENCY STAFF**

Board and staff introduced themselves.

1. **Presentation to Mr. Duane Shrouf, Director, Game and Fish Commission**

Mr. Travous invited Mr. Duane Shrouf to approach the podium. He noted that Mr. Shrouf has been a friend of his for a long time. They have worked together and been comrades-in-arms for a long time. He congratulated Mr. Shrouf for the work he has done for both this state and the nation. He then presented Mr. Shrouf with a token of the Board's appreciation – a wooden box with the Arizona State Parks (ASP) logo carved on the outside and a small plaque inside that read: Duane Shrouf – In appreciation for your efforts in serving Arizona and your colleagues at Arizona State Parks. He stated that we do ourselves honor by calling ourselves his colleagues. Also included in the box was a lifetime pass to all of the Arizona state parks.

Mr. Shrouf addressed the Board and staff. He thanked the Board and stated his appreciation for this recognition. He noted that he serves the Game and Fish Commission under a contract. His five-year contract expires on January 1, 2009. He informed the Commission when he agreed to his last contract that he would not ask them for a new contract upon its expiration. Therefore, he is now trying to get a process going so that when he retires they will have a new Director in place. That will occur some time next year (2008). He again thanked the Board and stated his appreciation of the recognition. He stated that the agency has been a great partner and ally over the years.

### **C. CONSENT AGENDA**

- 1. Approve Minutes of October 18, 2007 Arizona State Parks Board Meeting**
- 2. Approve Minutes of Executive Session of October 18, 2007 Arizona State Parks Board Meeting**
- 3. Designation of Park Ranger Law Enforcement Officer** – Staff recommends that the Arizona State Parks Board designate Robert Shelton as an Arizona State Parks Law Enforcement Officer, contingent upon successfully completing AZPOST Lateral Transfer procedure.
- 4. Appoint New Members in the Arizona State Committee on Trails (ASCOT)** – Staff recommend that the following eight individuals be appointed to fill the vacancies in ASCOT and that they serve terms of up to three years as designated beginning January 1, 2008: Daye Haling, Citizen-at-Large (one-year term); Jim Horton, Citizen-at-Large (two-year term); Chris Hoskings, Government Agency (two-year term); Don Applegate, Government Agency (three-year term); Paul Schilke, Government Agency (three-year term); Maureen DeCindis, Government Agency (three-year term); Mark Gullo, User Group (three-year term); and Linda Slay, User Group (three-year term). The ASCOT membership expressed their endorsement of these candidates at their October 25, 2007 meeting.
- 5. Appoint New Members to the Off-Highway Vehicle Advisory Group (OHVAG)** – Staff recommends that the Board appoint Rebecca Antle, Robert Biegel, and John J. Savino to fill the vacancies on OHVAG and that they each serve a three-year term beginning January 1, 2008.

Mr. Porter made a motion to approve the Consent Agenda with the exception of Item #C.5. He asked that C.5 be pulled in order that those members of the public who wished to speak to it would have the opportunity to do so. He added that after the public speaks, it is his intention to table that item until the next Board meeting so it can go back to the appropriate advisory committee to give this issue another look.

Mr. Scalzo seconded the motion. The motion carried unanimously.

Mr. Brad Powell, representing Trout Unlimited, addressed the Board. Mr. Powell stated that in addition to Trout Unlimited he also works with the World Wildlife Federation. He is pleased with the proposal to table this action. He noted that the opening on the committee is a citizen-at-large position. He believes that the Board needs diversity on its advisory committee. They strongly supported John Koleszak, who is a known sportsman; he's an avid hunter who has been actively involved with the committee. That is really all he is here to talk about. Mr. Koleszak would be a good, strong person to sit on the committee. He would strengthen the diversity of that committee.

Ms. Suzanne B. Gilstrap, representing the Arizona Sportsmen for Wildlife addressed the Board. They currently have affiliates in six counties in Arizona and hope to have one in each county by the end of the year. She added that within consideration in those two public members on the committee, they have learned that there are multiple stakeholders who, she believes have a vested interest, and those entities should be represented. There should be one from the sportsmen community and one from the environmental community. That would provide diversity on the committee. One of the key areas of interest from the sportsmen is that habitat is enforced. She appreciates the Board considering this late request and pulling this item from the Consent Agenda.

Ms. Morgan Day, representing Responsible Trails, addressed the Board. She thanked the Board for removing this item from the Consent Agenda. The two people before her have said almost everything that needs to be said. They look forward to further discussions.

Mr. John Koleszak, representing the sportsmen, addressed the Board. He noted that he was not here because of sour grapes at not being nominated to sit on the OHVAG. As a sportsman he has been working for a few years with that committee trying to establish an OHV bill. In working with the members of that committee, he knows their needs and the problems that they face. He requested that the Board re-look at what went on in the committee. The successful nominee does not necessarily have to be him, but it should be someone representing the sportsmen. He thanked the Board for the opportunity to speak.

#### **Board Action**

Mr. Porter: I move to Table Item C.5.

Mr. Scalzo seconded the motion. The motion carried unanimously.

#### **D. BOARD ACTION ITEMS**

- 1. Proposed FY 2008 Parks Board Meeting Schedule** – Staff recommends that the Board approve the proposed meeting schedule for calendar year 2008.

Mr. Travous reported that staff are proposing that the Parks Board meetings take place on the third Fridays of every other month in 2008. He noted that there were two corrections to the dates the Board received that need to be changed. The March meeting should be March 21 and the November meeting should be November 21.

#### **Board Action**

Mr. Scalzo: I move that the proposed FY 2008 Parks Board Meeting schedule be approved with the two changes to March 21 and November 21, 2008.

Mr. Colton seconded the motion. The motion carried unanimously.

- 2. Consider Recommending State Trails System Nominations** – Staff recommends that the Board accept the trails listed in Table 1 and not accept the trails listed in Table 2 into the State Trails system. Staff concurs with ASCOT'S

recommendation, but encourages the Committee to work with Staff on strengthening nomination criteria to avoid inconsistency in the future.

Mr. Porter stated that he would like a little information on those trails that were not recommended.

Mr. Ream responded that ASCOT met and approved all the recommended trails that failed. He asked them why the wholesale non-recommendations occurred for Show Low and Payson. It is because of the way the criteria were written in their policy. They are also asking the Board to help them work on that criteria. They felt that the trails that were recommended, although not all from Show Low, are trails that are more like sidewalks associated with roads and better able to get money from the Enhancement Fund from Department of Transportation (ADOT) rather than this particular trails program. The same applies for the Payson submission. They felt they were more urban sidewalks associated with roadways. ASCOT said they can reapply.

### **Board Action**

Mr. Porter: I move to accept the trails listed in Table 1 and to not accept the trails listed in Table 2 into the State Trails System.

Mr. Woodling seconded the motion and the motion carried unanimously.

**3. Fees** – Staff recommends that the Board approve the recommended fee revisions as summarized below:

- Implement a 50% discount for regular Military, Reserve, National Guard, and state militia troops and their families.
- Implement an \$11.00 camping permit for pre-arranged and limited camping at Sonoita Creek Natural Area.
- Implement a 20% discount for Commercial Tour operators at Kartchner Caverns. This discount would be available to any Commercial operator who books a group tour for Kartchner Caverns (at least 12 persons or more). Additionally, the park entry fee will be waived, each group will be provided with a “step-on guide” upon entering the park. Groups that are 16 persons or larger that take 2 tour times will also be provided with an interpretive program for the waiting members of that group.
- Implement a \$5.00 non-refundable reservation fee for a campsite, cabin or yurt.
- Use of a Dump Station, for non-camping visitors, will require a fee equal to one night of the low end of the Park’s non-electric camping fee range.
- Increase the daily entrance to \$3.00 from \$2.00 at McFarland State Historic Park. The subsequent Group Fee will be adjusted appropriately to \$2.40 from \$1.60.
- Increase the daily entrance fee to \$10.00 from \$9.00 at Cattail Cove and Lake Havasu State Parks.
- Increase the upper limit of the electrified campsite range to \$30.00 from \$25.00 at Buckskin Mountain, River Island, Catalina, Dead Horse Ranch, Lake Havasu, Lost Dutchman, and Patagonia Lake State Parks.
- Implement a camping fee range at Kartchner Caverns State Park of \$19.00 - \$30.00. This will replace the existing one fee of \$22.00.

- Increase the “Over Night Parking” fee to \$5.00 from \$4.00.
- Increase the Arizona State Parks Premium Annual Entrance Pass to \$125.00 from \$100.00.
- Increase the Arizona State Parks Standard Annual Entrance Pass to \$50.00 from \$45.00.
- Revise the definition of the “seasonal rates” at Catalina, Lost Dutchman, Oracle, Patagonia Lake, Picacho Peak, Roper Lake, and Slide Rock State Parks to read:

“Friday before Memorial Day through the **end of** Labor Day” instead of:  
 “Friday before Memorial Day through the Tuesday after Labor Day.”

Mr. Ream reported that last week the Board received a copy of the comments from the various public meetings. He noted that most of the comments are based on the Annual pass. This is the same issue that the Board commented on at the last Board meeting. There were a total of 21 fee comments with an additional 6 comments received through the mail or e-mail. Three regarded day use fees, five regarded camping fees; ten regarded Annual Pass fees, six regarded all fees and three were uncategorized.

Mr. Ream noted that this is a great process that staff go through in receiving these comments. While he doesn’t know the Board’s feelings on these comments, staff continue to recommend the fee changes, which will take place in January 2008.

Mr. Porter stated that he read the comments and a number of things caught his attention. One was the issue of whether reservations should start at some point. He believes it is logical and something that should be looked at more closely.

Mr. Ream responded that reservations serving campsites are something staff have wanted to do for 10 years. The agency really doesn’t have enough campsites to hire and make feasible a large national reservation system such as Aramark and a few others run. It would take a disproportionate bite out of what the agency does in order to make reservations for our very few campsites. He added that he would love to expand our campgrounds and park areas to make it more feasible for us. In the meantime, staff have initiated on-site reservation processes at each park. They cannot all be brought on-line at the same time. We are going through a learning curve and are currently taking reservations for all our cabins and yurts at those parks where they are available. We are taking reservations for about half of each campground at three or four parks (Buckskin, Roper Lake, and Lyman Lake). Staff are stepping up these reservations at Dead Horse Ranch State Park and trying to get them on-line. Staff are working on it and need to have a fee for it. He believes the current fee is \$5. As we see that \$5 mark we might move more parks into the reservation system.

Mr. Porter asked the reason for the 50% discount for the military.

Mr. Ream responded that he requested this discount because there was an Executive Order from the Governor. He felt that to bring something less to this Board would fail to show the consideration that we have (a) for the service personnel who are serving in our Armed Forces and (b) for the Governor’s Executive Order. He felt that staff should bring it in at 50%; if we wanted to change it we could. This doesn’t represent a great many people because not many of these people visit our parks. It is a fee that staff will look at again in a year to see if there’s been any use. He believes that it is a salute to our combat forces to offer a 50% discount; it is a substantial reduction in those fees and may encourage them and their families to visit while they’re home.

Mr. Porter said he assumed that there is a reason for not charging separate fees for out-of-state visitors.

Mr. Ream responded that staff have tried higher out-of-state fees. During this time of the year, from now until April, almost all of our visitors are from out-of-state. There's a great many people that we rely on for our annual revenue and to segregate them out is something that would cause real marketing problems for the agency.

Mr. Travous added that, on a national basis, various state tourism departments don't want to discourage people from coming in with the money they spend. National parks note that as well. There is a reciprocity issue here as well. For instance, Utah doesn't charge Arizona visitors more to visit their parks and Arizona should not charge their visitors to our parks more money.

Mr. Colton noted that someone from Lake Havasu brought up out-of-state fees in the comments. His comment was that fees were doubled in Oregon, California, and Washington state. The impression Mr. Colton gets is that if an Arizonan goes to California he/she gets charged an out-of-state fee. He would like to verify that that happens in Oregon and California – especially in California.

Mr. Ream responded that he did not know if that survey has been done.

Mr. Travous stated that his understanding is that that information is bad. His recollection is that the only state that charges an out-of-state fee is Oklahoma, and they were getting ready to change back.

Mr. Colton noted that it is inequitable if Arizonans are being charged a premium to visit parks across the river in California State Parks and we are not charging a premium to Californians visiting ASP.

Mr. Porter stated that the real problem is obviously the perception of fairness. It is upsetting to the local people. He's heard comments that the people on the AZ side can't use their own park on weekends because of Californians coming in.

Mr. Ream responded that the majority of those Annual Permits that are sold at the \$125 fee at Lake Havasu are sold to out-of-state visitors. The park allows in-state visitors (people who live there) to use the \$50 pass to enter on the weekdays. The \$125 Pass is kind of an unlimited pass.

Mr. Colton referred to another comment that asked what good the Pass is anyway when they close the park on busy weekends. No preference is given to locals. He suggested that perhaps the up tick for the pass for Arizona residents should be different from the up tick for California residents and out-of-state residents.

Mr. Ream responded that we are talking about a fee philosophy that has been in place for about five years. He would hesitate to change it based on a couple of comments. He would say that if the Board does not want to approve the Annual Passes they can leave them at \$100 this year and look at that issue again because the Annual Passes are good for one year from date of purchase. If he knew that pass was going up to \$125, next month would be a banner month for a \$100 pass. He would not want to change that fee today or make a decision based on adding a different fee for state parks without taking this issue back to the Fee Committee. The information the Board is looking at here today represents hours and hours of committee work and people bringing in park staff to get their comments and feedback. The Board can hold this item back and look at it again.

Mr. Siegwarth noted that they are trying to use the fees to solve a problem. The fundamental issue is that we need to develop Contact Point and increase the capacity so the locals can use it on weekends. Using fees to solve the problem requires devising a fee structure to have fewer Californians show up rather than more Arizonans showing up. While they may be very good points, he believes the fundamental problem is a lack of capacity at the boating ramps. He believes that once that problem is solved, some of these other issues won't be so apparent.

Mr. Woodling stated that he believes that the Board should approve these fee increases. Staff worked hard on the fee structure. We can wait and see what December brings. He would like to see the Annual Pass fees go up to \$125 and see what happens.

### **Board Action**

Mr. Porter: I move that the Arizona State Parks Board approve the fee schedule format, park specific fee levels as presented in the staff recommendation for implementation on January 1, 2008.

Mr. Woodling seconded the motion.

Mr. Scalzo stated that he has been sitting on the Board because he deals with the Maricopa County Parks system. They had similar concerns. At the same time, he realized that operating a public park system is expensive. Arizona has not been good about funding them. The public who use our parks literally love them. They put a value on them. These fees are cheap when compared with what people waste their money on. One can spend \$50 on a movie; a hockey game can cost \$150. If they don't think \$125 is a smoking deal, then he doesn't know where they will do better. He believes these fees are very modest and moderate. Kartchner Caverns State Park is a great deal. He strongly endorses this fee schedule. Unfortunately, there are people who don't value these parks. We are spending too much time arguing over pennies where there are serious problems facing us. People who value the parks will be there. He added that when the County changed their Annual Pass fees they sold 4,000 passes in one month.

Mr. Colton noted that he is not opposing the fee schedule increase that is appropriate and seems to be appropriate to him. There was an issue raised by some of the seniors. It sounded as though they were moving from park to park to live. If we were looking at something for seniors it would have to be structured uniquely.

Mr. Ream responded that he noticed that, too.

Mr. Colton stated that when staff look at this again, he would really like an answer as to what California does and what the difference is between what ASP charges and what California charges and what the impact is to out-of-state residents. If the amount is different, it needs to be taken into consideration.

Mr. Ziemann noted that the Research staff is trying to get that information.

There being no further discussion, Chairman Cordasco called for a vote on the motion on the floor. The motion carried unanimously.

## **E. DISCUSSION ITEMS**

### **1. Union Pacific Railroad Yard Near Picacho Peak State Park**

Mr. Travous reported that representatives from Union Pacific were present and had an updated presentation for the Board that some of staff have seen.

The Director for Public Affairs for Arizona for Union Pacific Railroad addressed the Board. He is an Arizona native who resides in Yuma, AZ. He stated that the presentation deals with their proposal for Red Rock. They are looking at a very much-needed capacity in their system. He stated they would be brief and that the Board has a packet that includes the entire presentation.

Note that the presentation is included in the Board Book and will be summarized in these Minutes

Representatives who assisted in the presentation were introduced.

The presentation covered the need for the yard and why they have been looking for a site over the last 2<sup>1/2</sup> years that meets their needs and meets the parameters that they have identified for that yard – Union Pacific's (UP) planned investment in the state of Arizona and its investment to build the capacity for their national network and the economic benefits it brings to Arizona. They have hired a team to answer the question of water issues at the site and tried to point out where they stand on those issues. Another myth that has been out there is the environmental footprint that this yard might have and what the railroad might have to comply with. They are a heavily regulated industry and they do have a commitment to the environment as their industry has worked very hard to do.

UP is in 23 states west of the Mississippi. Their annual payroll is about \$4 billion with about 50,000 employees. They serve 25,000 customers with a fleet to move goods and services primarily for the west coast moving them to the east coast and throughout the Midwest serving the needs in this nation's infrastructure.

The diversity of their commodities is mixed. They are proud to be a balanced industry. Industrial products (lumber, cement) are building Arizona's economy. Everything people buy at Wal-Mart (electronics, imports) come in by rail. Agricultural products (grain, feed) that support the agricultural industry, as well as automobiles (a growing industry in their company) are brought in by rail.

They have about 1,200 employees in Arizona, 700 miles of track, and 750 customers. They have annual purchases and payroll of about \$130 million. By 2020 they expect a 55% increase in freight as fuel continues to increase and they continue to be more efficient in their infrastructure. They believe that freight rail will provide that link and that efficiency in the system. Arizona plays an important role in that. The state of Arizona and the Parks Board understand the growth that is present in the state. The Arizona steel, lumber, and cement shortages were identified and the lack of infrastructure was partially blamed.

The unique story for Arizona is that from 1999 to 2006, in Arizona alone, trains originating and terminating in Arizona have had a volume increase of about 42%. These are the number of cars. That increase, compared to their network, has been enormous. System-wide they average 15%. The need is there and that has prompted them for increased investment and capacity and infrastructure.

Mr. Steve Sand discussed the site selection plan. In 2005, recognizing their capacity and constraints in terms of their terminals and their facilities the railroad made a decision to move forward with finding a location for a classification yard in Arizona. They were given various site selection criteria. This facility needed to be on undeveloped land and that land needs to be adjacent to the mainline track. Once it gets away from the mainline track the operations become very inefficient in terms of time used, fuel burned, maintenance away issues, and in terms of wear and tear on the tracks. The location needs to be centrally located between Phoenix and Tucson so that the markets



can be efficiently served in the Phoenix area such as Casa Grande, Eloy, Picacho, and Phoenix, as well as the Tucson and Nogales areas. They need a minimum track length along their mainline of approximately six miles so that they can get off the mainline, get into the yard proper, do all of their yard movements, and then get back onto the mainline. They need a very flat grade for safety and efficiency. The flatness needs to be in terms of their mainline track and the area surrounding it so that when they come off the mainline they can operate in the flat environment and get back onto the mainline without having to climb up and come back down to get to the track.

The land needs to be away from residential areas and schools. Ideally they would want minimal at-grade road crossing conflicts because of the six miles. They also want minimal water resource conflicts.

Chairman Cordasco stated that, while this is very interesting, he would like them to get to Picacho Peak State Park as that is what the Board is really interested in.

A presentation from the Peak was then presented to the Board. The development will primarily be tracks. The structural buildings that would actually be seen would be conceptually designed. Pinal County has seen this as a transportation corridor. The plans are for the I-10 expansion project.

Ted Petranoff, CH2MHill, has spent 20 years working on railroad projects. He referred to a slide of the view and what the concerns would be of the view of the classification yard. He showed a slide of the view from the campground looking toward where the classification yard would be. There is a prominent spur that comes off Picacho Peak and there's no view of the classification yard from this area. They have other photos, one of which is taken from the entrance to the park and there is no view of the classification yard from there. As one hikes up the Hunter Trail to the summit there is no view of the classification yard until before the Saddle where there is a very beginning view of the classification yard. He showed a view from the summit looking down on what the development would look like looking down on the park itself.

Curt Blest, hydrologist from Tucson, then addressed the Board. He noted that there have been concerns regarding ground water at the project. One of the key things to try to explain to people is that what's going on right now at the site is that it's a ground water savings facility where CAP water is being used for irrigation. That allows some of the water purveyors (Metro Water, Town of Oro Valley) to get credits so that they can pump ground water into the future.

Mr. Blest stated that they looked at all of the data from the wells in the area. There were concerns that eliminating the agriculture facility would have a negative impact on water. The ground water levels have been increasing since the State Groundwater Management Act was put in place in about 1980 – since the underground savings facility has been there. It is not a recharge site; it's not engineered for recharge. To their knowledge there's no intent to extract ground water there. Only about 15% of the water is actually getting back to the aquifer. He then showed a slide of what the water use out there is in total. They had declining trends in groundwater use from the 1980s. The site itself will not have any appreciable water use.

There were other concerns about groundwater protection. Mr. Ted Pronoff noted that he has been dealing with environmental issues at this site. The railroad industry, and UP in particular, has a good environmental story to tell. Over the last 10 years there has been tremendous improvement in fuel efficiency, limitations in air emissions, etc. One of the key environmental issues that is the focus of this yard is fuel storage and refueling operation. This will be a state-of-the-art facility with drip pans and no

underground storage tanks; just aboveground storage tanks. It will not be a mainline fueling facility. It will only be used to refuel those local locomotives that are made up of the trains there. The containment system will include double containment of all the piping. There will be an inventory detection system that is computerized (automatic alarms and notifications). It is not like "your grandfather's rail yard." All the refueling will be just the yard locomotives and not the mainline system, which goes by it. Almost all the fueling will be conducted over pit drip pans and all the fluids will be discharged to an onsite industrial wastewater treatment system. All the fueling is done through pressurized automatic shutoff systems so releases while refueling are very rare. He showed a slide of an inspection pit. There will be one minor inspection pit at the site. It also has secondary containment structures underneath it.

They expect industrial wastewater to be completely contained onsite. They estimate it to be about 2 acre-feet per year, all being handled by evaporation. Sanitary wastewater will be handled through the use of an onsite septic system. While there will be a total of 300 employees there, only about 90-100 employees will be on site at any time.

Air emissions have been a concern. The railroad has significantly reduced air emissions over the last 10 years. There are not the large locomotives at a classification yard that are associated with other kinds of yards because of the gravity nature of how the railroad now sorts their trains. Most of the power units there will be smaller. There will be no larger stationary sources. The only stationary sources that will be there will be small, stand-by generators.

The railroad has also been working very hard at limiting the amount of idle time. It is important to point out, from an environmental standpoint, that the rail lines are now becoming far more efficient than trucks. One double stack train going through this area equals about 280 trucks; they are about 2-4 times more fuel efficient on a mileage basis than trucks; and they are about 3 times cleaner from an emissions standpoint.

Another issue that's been raised is the noise coming off the rail yard. This is a classification yard that uses "retarders". The new retarders that are now being used make much less noise than retarders that have been used in the past. It's a lot quieter.

UP has also agreed to comply with the Dark Skies Initiative.

This site has been run by ADEQ. There are no red flags. There are no environmental permitting issues that ADEQ has a problem with. He thanked the Board for the opportunity to give their presentation.

Chairman Cordasco stated that he believes that it is appropriate to let them know that the Board and the people of Arizona work hard and have very appreciated values outside the economic values to benefits of Arizona. We have this beautiful peak; Arizona is growing so fast that the desert is getting gobbled up as fast as anyone can blink. Here UP comes with a big industrial project. What is the Parks Board doing here? At the same time, the Board is trying to do those things the people say they want done regarding being able to go out and hike and get away from the urban setting. Everyone from Tucson and Phoenix want to go where there's nothing. UP has heard this before; it's not new to them. While it's not exactly in the Board's backyard, Picacho Peak is a state park and it's a unique feature. While UP may comply with Dark Skies and have noise reductions and handle all the other issues, it's still a tough deal.

Economic efficiencies almost always override a lot of these other values. He stated he hoped UP would be generous in their consideration of Picacho Peak. He understands we're all in the same boat and are all trying to do our jobs. He then opened the floor for questions.

Mr. Colton asked what the process is from here on out. His second question dates back to UP's predecessor, Southern Pacific. Southern Pacific closed the intermodal facility in Tucson. He would like to know if there was any consideration given to using that Tucson facility that already exists. He's sure it needs improvements and he's sure it doesn't meet the 6 miles criteria, but it does otherwise physically exist.

The answer to the second question was that the Tucson yard already is serving a lot of functions in its capacity and the ability to build trains in the Tucson yard is an impediment there. Tucson will remain an operational facility and will contribute to the building of other smaller trains or another function. The capacity is not in the Tucson yard at this point in time. With partners and private investors investing in Century Park, which is east of Davis Monthan Air Force Base, they have been able to reignite a transloading facility for that multimodal function. This will actually allow those areas to expand. The yard and operations, because of the need to build larger trains to service the Phoenix market, is where they need the 6 miles of capacity.

Mr. Colton asked if there is a multimodal facility planned at Picacho.

There is no current plan for a multimodal facility. That does not mean it would never happen. It is not planned for in the foreseeable future. They are simply looking for a classification yard here.

Regarding the first question as to where UP is in the process, they filed an application with the State Land Department back in 2005. In 2006 they went through the Pinal County General Plan Amendment. As of now, they have completed a survey and some other studies. They are really just waiting to have the State Land Department move things forward. To address the particular question, nothing has been decided yet. There is still the question of the State moving it forward. If that happens, the amount of land included in the sale needs to be determined. So far UP has looked at possibly around 1500 acres, which would allow for future growth into the buffer area. Even that question has not been definitively decided upon.

Mr. Porter noted that he attended that Board of Supervisors meeting in Florence and understands the issues and knows where the bottom line is. He is not hostile to the railroad. The problem is the location of the site. There is nothing UP can do to change the perceptions of the Board. The biggest concern is clearly not even the facility itself. It is inevitable that this facility would be a magnet. It will draw in other industrial development. One of the reasons it is being put there is because it is away from other residential development and schools. He would like to have it away from parks, but that wasn't a consideration. That is the Board's biggest concern. The fact that it will not be visible from the park has absolutely no relevance because of the industrial development it will draw.

Mr. Scalzo stated his agreement with Mr. Porter's statements. However, there is another issue – the economic impact on the revenue to the park. He projects the park will lose money as a result of this impact. That money is essential to the agency's operations. Those losses to ASP will, in his opinion, be significant. This is a major park and a tourism attraction with literally hundreds of thousands of dollars being lost to the Board to operate this park system. He feels that UP should be adjusting for that in determining how they would compensate ASP for the negative impact by placing a percentage in their annual budget for that. Secondly, any kind of noise reduction programs they could put in place to offset that impact is necessary. The bottom line is that the Board discussed fees earlier in the meeting. The State is hurting financially. The parks system and other agencies that are dependent on fees being charged will be impacted again along the process of UP's development. He would think that, as a

Board member, he would look considerably more favorable at something that had some kind of impact that offset the losses and the negativity of the rail yard to the park. Otherwise, all of these members will always be opposed and will not see any benefit whatsoever.

Mr. Scalzo noted that another thing is to find a way to bring passengers from Tucson up to that site or from Phoenix down to it to enjoy those peak seasons. He knows that the Governor is already looking at how to use rail transportation. That might be a wonderful thing on the major weekends when we want to get the people we don't want to drive into the park. It would probably be during the slower time for UP.

Mr. Colton added that, historically, the freight railroads have not taken kindly to having passenger railroads on their tracks. The Governor has also made it very clear that in the Transportation Plan that's moving forward there is no passenger commuter rail between Phoenix and Tucson. Secondly, in his mind, this area, if it doesn't happen, would urbanize in a different way. Picacho Peak State Park will be less of a rural park than it will be an urban park. If that occurs, there will be a need to build a passenger railway facility at Picacho Peak to serve much as there is a subway stop at the Bronx Botanical Gardens or the Woodly Park Zoo. That is the type of thing that will be looked at many years down-the-road.

The representative from UP responded that he appreciated the Board's comments. Arizona is a unique story and they are a part of a lot of towns and the history. He takes a lot of value to what they add and they tell the story. He believes they can add value to a lot of regions and begin a dialogue on what areas they could add value to. Regarding a commuter passenger rail discussions, they are very open to working with ADOT. They have addressed their concerns because they are in the business of moving freight. They believe that is a public good that they take. They take an average of 2,000 trucks off the highways that would have been going to Phoenix on that route. They are trying to meet the needs in the way of delivering those goods and services. It is a very difficult position for UP because of history and the Southern Pacific and the selling of right-of-way. They made a commitment to ADOT to work with them as they build the framework studies and the discussion on passenger rail. The solution might not be a complete UP right-of-way solution and it might be that there are still some open spaces and right-of-way preservation. Those dialogues are continuing. UP wants to work on a value-added situation. He participated in the land use discussion the Arizona Town Hall conducted. Growth in the state will be developing and the discussion was a long transportation corridor to maximize the movement of people and goods. This area has a lot of eyes on it. It will take a lot of creative thinking to minimize and still look at preservation and conservation. That is important because people value open spaces and admire the scenery. He believes we can work out moving the conversation forward on how they can add value to this discussion. The negative impacts are not in the forecast they have been projecting. They hope they can add value.

Mr. Travous noted that the next issue for the Board will be the double tracking of the railroad right next to Yuma Territorial Prison State Historic Park. That will be a big issue for the Board because there is not much room there. We're not talking miles – we're talking feet away. He requested a presentation from UP on what their designs are there as soon as they are ready.

Mr. Travous added that the good thing about the desert is that you can see so far. The bad thing is that you can see so far you can see something ugly out there. He then introduced Rob Young, Park Manager at Picacho Peak State Park. Mr. Young, Mr. Ream and he took a ride around the backside of Picacho Peak a few days ago. To get

there one has to go through the Pulte subdivision. Staff are looking at industrial development on one side and residential coming in on the other. He knows the agency is looking at things with the land trust reform. There is some acreage there. We need to turn our thoughts and mitigation discussions towards protecting our flanks.

Chairman Cordasco thanked everyone who participated in the presentation for coming to this meeting.

Chairman Cordasco called for a Recess at 11:30 a.m. He reconvened the meeting at 11:45 a.m.

## **2. Rio Rico/Santa Cruz Presentation**

Ms. Laura Burnette gave a Google presentation on the property using the agency's model to be discussed.

Mr. Travous reported that this is a property that has been on the front burner, moved to the back burner, back to the front and then back to the back burner again over the years. The property next to Patagonia Lake was the first area purchased with the Natural Areas Fund.

Mr. Travous stated that over the past year or two he and Mr. Getman and Mr. Tobin have been discussing what they are doing in that area. They have recently re-looked at what they are doing and how they are doing what they want to do and are changing some of their ideas. He felt it would appropriate for them to come to this meeting and make a presentation to the Board and see whether we can take it further.

Mr. Travous introduced Mr. Dennis Getman to the Board.

Mr. Dennis Getman, representing Avatar Holdings, Inc., addressed the Board. He introduced Mr. Bill Walker and Mr. Gary Griswell from the WLB Group who are planners and engineers who have worked on things with Messrs. Travous and Ream. Ms. Sheila Vasquez and Ms. Liz Gutfarb are with the Rio Rico Project down there. Eric Finkleberg is Vice President for Avatar corporate headquarters in Coral Gables, Florida. John Jabanus is an architect and planner for Avatar. Ms. Diane Freshwater, Arizona Open Land Trust, was also present.

Mr. Getman explained that Avatar Holding, Inc. is a public company that is traded on NASDAQ – its symbols are AVTR. It is a community developer with numerous sub-corporations that develop communities mainly in the State of Florida. It is a very environmentally conscious corporation. They have an excellent reputation with the regulatory agencies; they work very closely with them and the State of Florida in the planning of their projects. They have one project that is a 47,000-acre project called Pointsiana that has 18,000 acres which is set aside for preservation and conservation. That's the way they develop their projects.

Mr. Getman stated that he was the Executive Vice President and General Counsel for Avatar Holdings, Inc. and its subsidiaries for 26 years. He recently retired, but is still working on projects that he really wanted to stay on for the sheer pleasure of doing certain things. He has worked with and has a lot of experience working with governmental agencies and environmental groups. He did the Leisure Lakes acquisition in Florida; he was involved in the State of California and the Coastal Commission out there that Avatar had in the Santa Monica Mountains. He recently completed a large partnership arrangement acquisition with the State of Florida that The Nature Conservancy (TNC) and Audubon Society have. He has a lot of experience. He was also involved with Messrs. Travous and Ream in the acquisition the Board made at Sonoita Creek. A Cooperation Agreement was worked out where they

contributed funding, donated land for a visitor's center, and a state park facility. It was a very good working relationship that was very good for all the parties involved.

Mr. Getman reported that Avatar Holdings, Inc. owns Rio Rico Properties, Inc., which is another 45,000 plus project that they have in Santa Cruz Co. They've been working on it for some time. He stated that he has had a dream with regard to that project. It was Ms. Goldfarb's husband who led him to the idea of getting the environmentally sensitive land in that area into the ASP system. He believes there is a great benefit to doing that for a number of reasons.

Mr. Getman stated that the benefit to Avatar is having a community that is well-planned; that has residents living in it that love living there; and it helps in sales and marketing if they have trails, amenities, and things that people love to do there. They have held focus groups to see what people want. That's how they help plan their projects. The number one amenity has been nature trails, scenery, the environment, and that type of things. From Avatar's standpoint, it's good business.

Mr. Getman added that the benefit to ASP would be in looking at the preservation and conservation of a large tract of property which encompasses about 5,000 acres; it's the ability to put in amenities down there of equestrian trails, hiking trails, etc. It also connects to the Sonoita Creek Natural Area that the Board acquired, and it fits in up to Patagonia that Mr. Travous already talked about. It fits into the Anza Trail and the proposed Santa Cruz Co. Santa Cruz National Heritage Area, as well as a bird watching preserve Audubon is interested in down there. He is currently involved in another project with TNC and Audubon regarding the acquisition of properties and the planning of a community. He just finished another project with The Nature Conservancy in Florida where they were involved in a real estate transaction involving a 5,000 tract of land that was acquired and put into preservation to preserve Silver Springs, the largest spring in the US from the standpoint of fresh water coming out of it. That's the type of partnership arrangement that would be most beneficial.

Mr. Getman stated that, from a partnership standpoint, he is looking at establishing this area as part of the ASP system down there. It has a lot of benefits, from the riparian habitat to the scenery to what can be done down there. The acquisition by ASP would obviously preserve the property down there. It would be very good for Avatar. Avatar would then look at contributions back to help put certain things in, cover the O&M (operation and maintenance) expenses. They have a number of ideas as to, as they develop the community, getting the community to contribute towards it. Messrs. Travous and Ream put forth examples as to what they think Avatar should address with regard to doing that. Avatar is very open and flexible in regard to working toward this great opportunity for both parties.

Mr. Getman stated that, regarding the planning aspect, they would want ASP staff to help them in the planning of the project. They have three large areas that they are getting into the planning of with WLB. They look forward to that and the Board helping them to do that. They look forward to the trails systems, the bird watching, and the things that this can do.

Mr. Getman stated that, from a final results standpoint, he thinks this is an absolute win/win situation for Avatar, for ASP, for Santa Cruz Co., and the residents of the State of Arizona. He noted that the environmental groups they have talked to are all in favor of this. Santa Cruz Co. is in favor and sent a copy of a Resolution to ASP affirming that recently. He believes this is a unique opportunity to set up a public/private partnership with regard to a piece of property that is not normally seen that has this advantage; one of which is to have it owned by one party. They would not

have to work with hundreds of parties, but, rather, with one party who is willing to deal with them and work with them in regard to the sale of it and the planning of it and the operations of it, the maintenance of it and having it actively managed by the Board.

Mr. Gary Grissell, WLB Group, addressed the Board and presented a slide show. He noted that, as was already mentioned by Ms. Burnette, this area is rich with character, and unique features. He displayed a number of pictures that demonstrated the rich setting of the area. There are a lot of opportunities for recreation activities. He referred to the land of interest on a map and pointed out where they envision the state park's visitor center. He noted that they want to develop some of this land using the principles of smart growth, one of which is using the existing assets of the community. The open spaces are a major asset. Open space is the major focus of their master plan. They envision the open space being the primary goal and all of their communities and residents would be able to tie in and utilize the open space.

Mr. Grissell referred again to a map and pointed out land that is in an existing plat that came into place in the 1970s. Avatar decided to take a fresh look at it and carve out areas of open space. He pointed out their proposed trails: the Anza Trail, a trail going up Sonoita Creek all the way to Patagonia. They have trails that would cut through the open space they are carving out and tie into the major trails systems. He pointed out where the visitor's center might be located. In terms of the architectural program, their architectural team tried to come up with the flavor and character of the new town center buildings. He referred to a slide of what they think they will look like. They also envision that the ASP building would pickup on that type of architecture.

Mr. Grissell referred to his trails map again showing the town center, the Anza Trail, a major trail to Patagonia Lake, the San Cayatano Loop Trail, and all the trails going from the residential areas tying in to the major trails. It is a very large area and creates some very interesting trails.

Mr. Grissell noted that they have open house meetings with the residents in the community. Some of the input they have received is along the road they will be putting in they would like pullout areas and/or trailhead areas where people would be able to access the trails system. Trails they envision include some paved trails and equestrian trails.

Mr. Grissell referred to another map and showed where they envision the ASP visitor center to be. They feel it has great accessibility to both waterways and visibility from the Interstate.

Mr. Colton asked where they are in their entitlements, other than a plat.

Mr. Getman responded that, basically, they have their entitlements. They have them in regard to their water rights down there. They still need to do their platting and go into the County bill.

Mr. Grissell added that all zoning is in place. There are existing plats that they are going back over and doing PDD overlays over that do not require a rezoning action. They are in the process of submitting tentative plats on the various pieces. All of the zoning is current there.

Mr. Getman added that they've made many presentations to Santa Cruz Co. Supervisors down there in regard to this and they have indicated that they are very much in favor of this. Mr. Travous has spoken with some of the supervisors down there and they also reiterated their wishes for this to proceed and be developed in a certain way that's environmentally conscious.

Mr. Colton asked whether the residential and non-residential uses are strictly divided into sectors.

Mr. Grissell responded affirmatively.

Mr. Woodling asked if the 45,000 number is homes or people and whether it would be cluster housing leaving open spaces like a marked trail or a golf course.

Mr. Getman responded that the 45,000 is the number of acres in the overall Rio Rico community. What Mr. Grissell discussed earlier is exactly what they are planning to do with the cluster development. A large portion of the project was already developed and sold out as home sites. At this time, Avatar is building homes and progressing. The last time he looked, there were about 40,000 people there.

Mr. Porter stated that he's been on the Board long enough as to where he remembers the early meetings when the Board started down this road with Avatar. It has really been nothing but a marvelous relationship. From that standpoint, he thanked Mr. Getman for that relationship. In all honesty, as he sees where the Board is now with all the budgetary problems the Board will be facing in the near future, this kind of partnership is precisely the sort of blueprint the Board needs. The Board will have to partner with other entities from time to time. However, working with partners is a reality that the Board needs to deal with. This kind of partnership is probably the future of ASP.

Mr. Porter asked if this would be viewed as an addition to Sonoita Creek Natural Area as opposed to being a separate state park.

Mr. Travous responded that yesterday he and Mr. Ream spent some time up on the Verde River with Mr. Dan Campbell (TNC). They were talking about the watersheds. Mr. Ream noted that they were really talking about the Santa Cruz. This is another unit of the Santa Cruz watershed that starts at our park at San Rafael, goes into Mexico, and comes back up. They started to realize that Tubac is part of that and, if we stop looking at individual properties, and start looking at the bigger picture on the landscape scale, that's exactly what we're looking at. It is part of the Sonoita Creek Natural Area.

Mr. Travous added that, in relation to the budget, there are some things pushing staff because there are some pots of money available. Things that are not nailed down now are at risk. In anticipation of that, he has gone to TNC and the Trust for Public Land on the Verde River and to Ms. Freshwater and her group and asked them to help staff put together some things, keeping in mind the Board's overall goals. TNC has been working in the Verde Valley and Ms. Freshwater has been working in the Sonoita Creek area. There are some issues, including long-term operations and maintenance of the idea, building costs, and things of that nature. In the meantime, rather than buy small pieces of property up and down the Verde River like we're doing right now, it is better to get one swath of the ground containing adjacent grasslands that are important to the Verde and hiking (the number one sports activity).

Mr. Porter noted that the Board has made value decisions mostly because they had to because they could not continue piece-meal purchasing. Now this opportunity is falling into the Board's laps, and he feels it is a marvelous opportunity.

Mr. Colton noted that this one of his favorite areas and he is very biased. He stated he is excited about the possibilities here. The way the Santa Cruz Valley is developing, these are significant management and law enforcement issues. Down the line they will only get more complicated.



Mr. Travous responded that Avatar is giving the Board cash for the Rangers at the Natural Area. That was part of the deal. As we get into a bigger scale project, he is not sure if that's the way to go - perhaps an endowment or a cash-back would be better. Those are the flexible ideas that have been discussed.

Mr. Getman added that he has discussed this issue with Messrs. Ream and Travous. He believes there are a lot of things that can be done regarding operation and maintenance.

Mr. Scalzo stated that he believes it sounds good now. But, his concern is when Avatar goes away. They present a wonderful picture initially and then they go away. The Board still has trails and maintenance. Then the residents who live there will have to pay for this. Santa Cruz Co. is not going to pay for anything. They have their own financial situation to cope with. They are offering nothing but good luck. He questioned how the Board takes on more responsibility over the next 50 years with very limited resources. He is looking at the Board's future generations who will be strapped and want to buy other land or protect historic property. He doesn't see it on the table.

Mr. Porter responded that he doesn't see it on the table, either, at this time; but it will have to be. As he stated in the San Bernardino issue, an endowment has to be part of the deal or the Board cannot do it, regardless of how much they may want to. He believes that's the same case here. They will have to work out arrangements to have some kind of a guarantee that the Board will not be sitting there hung out to dry and can't continue to operate it into the future. This is what he likes about Avatar. They made similar promises to the Board in the past and kept them.

Mr. Scalzo noted that the other attendant question is how does the Board obtain the land. Will it be free? Will they donate all the land to the Board?

Mr. Travous responded that staff are looking at Natural Areas money from the Heritage Fund. Staff are looking at a combination of grants and purchases.

Mr. Getman added that there are a number of ways to go, include setting up a fund where, as they sell homes, the homebuyers are charged an amount of money that is put into a fund that continues to grow. As he said earlier, they are very flexible and very open to ways to accomplish this.

Mr. Travous added that the better job we can do to manage that property well, the more homes they will sell. That's where this symbiosis takes place. It doesn't work for anyone if it's just people coming across the border and dropping jugs of water.

Mr. Scalzo noted that the Board needs to also look at the added value the Board gives to the property value. He's seen studies that show property values rise 8%-20% the closer they are to a park.

Mr. Getman agreed and added that people pay more when the amenities they want are there. Because it's good for Avatar, it's good for the flexibility he mentioned earlier that they can offer to the Board.

Mr. Scalzo asked if Avatar was willing to share those value-added studies with the Board

Mr. Getman responded that they do not have value-added studies; their consultants tell them that when these amenities are included, people pay more.

Mr. Scalzo asked if they would be willing to tie those into the process and give a percentage to the Board.

Mr. Getman responded affirmatively. That's what he has been talking about in his discussions with Messrs. Travous and Ream. They would be tied in with the Cooperation Agreement that was signed in the earlier transaction.

Mr. Colton asked what part of the residential area would be gated. He also asked what the interface between the residential and parkland looks like. He asked if there would be unfettered access.

Mr. Grissell responded that, in terms of the residential area being gated, they are still looking into whether or not they will gate some of the back area. They are thinking about gating the areas more to the east. That's still up in the air. In terms of how the back yards transition into the open space, they would provide buffers and their own open space along with the development. They are required to do that by Santa Cruz Co. It is possible that in one of the cluster areas there could be a trailhead. That might be the point of access. He does not see people having gates from their backyards leading to the trail.

Mr. Getman thanked the Board for allowing them to come to the meeting and make their presentation.

Chairman Cordasco called for a Recess at 12:30 p.m. He reconvened the meeting at 12:40 p.m.

### **3. Budget Presentation on Current and Future Funding Options**

Mr. Siegwarth noted that the Board had received a copy of the agency's budget book. There were enhancements to the book this year that he's very proud of. He then distributed a hard copy of his budget presentation to the Board.

Mr. Siegwarth noted that there are a couple of key points that have been discussed over the past few months. He noted that while we have enough money for anything, we do not have enough money for everything. He noted that we are a \$74 million agency if we throw in all our revenue. Staff believe we are really more like a \$103 million agency. Part of this is because we have our staff working very hard trying to do great things. They believe we're bigger than we are. He doesn't want to crush that ideal. He thinks we have 350 people; he could hire an additional 50 FTEs and no one would even notice it. If he asked each Park Manager what they really needed, he would need an additional \$5 million to dispense to the parks. We have a \$188 million capital income. If we are not going to do a 10-year build-out, why even have that.

Mr. Siegwarth reported that, in going through some of our grant programs, some of those programs are vastly undersubscribed and could be expanded to very good uses. This is typical. When you have this kind of issue, one feels we could either increase revenue or decrease expenditures to bring us more in line with our budget (which would become a morale issue), or some combination of the two. This is the perennial budget stuff. It's hard to increase revenues because no one wants to pay more.

Mr. Siegwarth reported that since 1990 the agency has done a lot of work to increase revenue. Staff have done a lot of capital development and a lot of marketing. Revenues are increasing, and he hopes to see it reach \$10 million. We talk about fees and other things, but park revenue alone is not the answer. As we grow revenues we also grow operational expenses.

Mr. Siegwarth referred to a chart in his presentation that depicted the statewide General Fund growth. In 2002-2003, when staff were talking about billion dollar deficits the General Fund was growing at 0.9%. The next year, 2004, wasn't bad. In 2005 staff was still trying to get money, but did not do very well. In 2006 the agency at least received

the offset on our Enhancement Fund revenue targets so we could at least make the target. But the agency never got any increase in its operating budget. Things did not improve much in 2007. The Board has a 2008-2009 budget. We get \$1 million in 2008 and \$1.5 million in 2009. There is also a \$500,000 supplemental included.

Mr. Siegwarth reported that he doesn't believe 2008 and 2009 are looking good at this time for getting any more money. Actually, 2010 doesn't look good, and 2011 might put us in the ballgame. He noted that he gave the Board a handout that included three proposals. The JLBC staff don't make policy. They present policy options to the legislature. He read their 275-page report. One of the options they are sending is a Land and Water Conservation Fund sweep. He believes they will have a hard time with that. Not only do they need a 2/3 vote, it has to further the purpose of the Initiative. He can't figure out how sweeping that money to the General Fund will further the purposes of the Initiative. They believe that the Land and Water Conservation Fund interest is not voter protected. Among other things they are considering is an across-the-board agency cut.

Mr. Siegwarth stated that the Board certainly has room to complain. If they are really saying the problem is \$800 million, when one looks at the Board's budget being at 0.078% of that, the agency's share would be \$626,000. They want to sweep roughly \$32.5 million. That's really 50 times our share. Of course, they always show the voter protected Growing Smarter \$20 million General Fund coming to the agency. They are not talking about fairness here. They're talking about priorities.

Mr. Siegwarth referred to a number of charts. He noted that in 2000 we got about \$7 million and another \$7 million in 2001. In 2002 and 2003 they began cutting the budget. By 2003 the Board was right at \$0. They swept as much as they gave us in General Fund money. In 2004 and 2005 and 2006, during that 7-year period, the Board gave the General Fund more than they gave the Board. In 2007, the Board got some money. Now, looking at 2008 the agency is down \$24 million and they may still sweep more funds in 2009. Over a 10-year period the Board has actually given them between \$600,000 and \$3 million a year. It's like going to a casino. They let you win 7 and let you win 7 and then take 28. Over a 10-year period the Board has really received no General Fund money. The Board has actually helped the General Fund. When talking about priorities, the Board is more like a cousin to take money from.

Mr. Porter noted that he had never seen a slide done like that before. It is powerful and has to become a part of the Board's pitch to the legislature.

Chairman Cordasco stated he would like that slide to be articulated so the Board can explain it themselves.

Chairman Cordasco stated he wanted to understand how Mr. Siegwarth got to \$25 million in one year. He wanted to understand how that loss was reached.

Mr. Siegwarth responded that it is the legislative options they proposed at \$23 million from the Land and Water Conservation Fund, \$6 million from SLIF, so much from OHV. They are only talking about giving the Board \$1.7 million in General Fund. The net would \$25 million.

Chairman Cordasco asked Mr. Siegwarth to sum up that slide in one sentence.

Mr. Siegwarth responded that over the last 10 years the Parks Board has given the General Fund between \$6 million and \$30 million net total and have received nothing from them to help out in General Fund money.

Mr. Travous added that another way to say this is that over the last 10 years the Board has been funding other state government bodies.

Mr. Scalzo noted that it's like creating another tax on the public. They are taxing the public by taking away the funds that the agency is being given by them.

Mr. Porter added that another place that's hidden that the Board could conceivably wind up contributing to through the General Fund is through ADOT.

Mr. Siegwarth noted that the General Fund is not looking good. After years of tight budgets, everything we do is important. There are many things that can and probably should be done. In talking about rightsizing and bureaucracy, our agency is our people. In looking at the budget, 76% is personal services and ERE; 1% is equipment; 1% is P&O; 2% is Travel. Not much money can be saved there. As he's said previously, he could hire another 50 FTEs and have work for them tomorrow. Risk Management is 8% of the budget. He is tired of getting complaints that we need more computers. Everyone needs more stuff. The parks' share of the budget is actually just toilet paper and utilities. That's what they're budgeted. The supplemental says that's \$500,000 low. If it isn't made up somewhere, he'll have to go into the miscellaneous fund. There really isn't much money to "play with".

Mr. Siegwarth looked at programs. There's not a lot of fat in the Director's Office. That fund accounts for 2% of the budget. Research and Marketing is 5%. It's hard to cut Partnerships because that is the grant programs and would require cutting the grants that go with it. Of the Admin budget, 81% is people. When talking about rightsizing, his point is that we really are people. While one may argue having people do other things in the agency, there really is enough for all of our staff to do. We are barely staying alive.

Mr. Siegwarth noted that we really can't do this alone. We talked about envisioning what we do. We have to work with our partners. What we do affects them. We need grant program increases, a citizen's initiative (like the Heritage Alliance initiative that didn't go anywhere), changes in statewide programs, diverting money from one thing to another, statutory changes in some funds, etc. We have a 2008-09 budget. He will submit the FY 2010 and 2011 in September 2008. 2008 and 2009 are not looking good. We will probably get swept; we will probably get hurt. There are other issues to be considered in 2010 and 2011. If we pay off Tonto Natural Bridge, then the Enhancement Fund becomes totally appropriated. Our experience with SLIF is that the percentages go up and down. If that pattern continues we will lose a couple of million per year. We'll have a new governor. It's easy to focus on today's problems and how we might survive them, but we also need to start talking long-term in 2010 and 2011 and how we want to begin again.

Mr. Siegwarth reminded the Board that they saw a slide in July about the need for a strategy. The Governor's Office, legislature, and public all have to be involved.

Mr. Siegwarth stated that, in summary, we really need to focus and prioritize. We can't do everything. The Business Model that was developed years ago had to be thrown away because of the events that have occurred since then. It is very difficult to come up with a new Business Model knowing that money will be swept over the next few years. This presentation was to facilitate discussion from the Board and to give them something to think about.

Chairman Cordasco stated that the one slide was really something. He thinks that continuing to think through that slide and define it further and get it into some form of presentation that can help the Board to understand it better would be very handy for

the Board in discussions with the public. He also suggested that the remark that we are an agency of people is something that is widely appreciated and accepted. He believes that more Board conversations need to be focused from that perspective. What does it mean to be an agency of people and how can it be better supported or developed?

Mr. Scalzo suggested this is something the Board needs to spend a whole meeting on and look at options with staff.

Chairman Cordasco responded that he was going to go to just this point. In looking back over the years, it's been hard to get to. There's been good conversation in the past about some of these things and the Board has really tried to go at it realistically. Yet, at the same time, the Board still seems to be shuffling around as to where we need to go. When the representatives from the railroad and Avatar were here, the questions were raised as to how they were going to assist or handle their issues. He questioned why, even though the Board has tried, they are not getting where they need to get.

Mr. Porter noted that one of the reasons is that the Board still has the mindset that somehow it will find resolution through public dollars from state government. The handwriting has not just been written on the wall – it's been carved on the wall. The Avatar project is a huge wake-up of the kinds of things we have to start looking at. Mr. Scalzo did a good job of reminding them that we are cash-strapped. We are a state agency almost in name only when it comes to funding. They will have to assist if they want the Board as a partner. We also have to look at each park to see what's around it - who might be willing, in exchange for something that might help them, to become involved in the operation of that state park. That's very different thinking than the Board is used to.

Mr. Colton noted that in the counties that do not operate their own parks, there might be a way to tap into the local governments to mitigate some land for the parks.

Mr. Porter noted that the Board knows they are a major element in Pinal County's structure. When he left the meeting there, the railroad people were not happy campers. While the Supervisors said their hands were tied and they didn't have a choice, they know how important ASP is to their town and their growth. They know that as they grow they will have a bigger need for recreation. The Board needs to find a way to make this happen. Pinal Co. has more of our parks than any other county. He believes that the Board is missing its value to them. If our parks there fail, who will get hurt? Yuma picked up on that years ago and have been giving the Board funding to operate its parks there. The Yuma parks never show up on a closure list.

Chairman Cordasco reiterated his request to get that slide into a format that the Board members can use in discussions with the public.

Mr. Porter added that that slide has changed his whole perspective and that now he is very angry.

Mr. Travous noted that no one talked about taking the Heritage Fund. That tells him that there are constituents out there that don't know about it. They might be talking about it behind closed doors. But they're not letting anyone know. They've been beaten back every time they've tried to take it.

Mr. Travous added that other states have turned this corner and now have a workable amount of money coming in. Some get a percentage of the sales tax. He has a proposal on his desk that he hasn't had a chance to look at for strategic and political planning.

Chairman Cordasco had to leave the meeting at this point and Vice Chairman Scalzo took the gavel at 1:15 p.m.

#### **4. Discussion regarding litigation by Mabery LLC**

Ms. Hernbrode reported that at the last Board meeting she was directed to get with Mr. Travous to discuss this issue.

Mr. Travous stated that he believed that there are still two or three months for the legal issues to play themselves out.

### **F. EXECUTIVE STAFF UPDATES**

#### **1. Verde River Greenway/Pecks Lake Acquisitions**

Mr. Travous reported that meetings were held yesterday at the Verde River. Phelps Dodge owns Pecks Lake. The Trust for Public Land is looking at working with Phelps Dodge for a donation of the property to the Board. TNC is looking at other acquisitions along the river. If they come to fruition, he will return to the Board with a report.

#### **2. ADOT Funding**

Mr. Ream reported that he discovered early this morning that ASP is agendaized on the AZ State Transportation Board Committee. The exact agenda item reads as follows: Item 9D. Contributions to State Parks and Other Subaccounts From HUR Highway User Revenue Fund for Discussion and Possible Action as requested by Bill Feldmeyer. They have actually gone through their agenda and attributed it to a board member. For whatever reason, they have distanced themselves from this. He attended their meeting last month (the day after the Board's meeting at Orme Ranch) and spoke in the Call to the Public portion of their meeting. He explained how important this is to the Parks Board. They had an Arizona State Parks item agendaized for that day – funding for the parking lots and roads at Lake Havasu State Park. That passed 6-1 with Mr. Feldmeyer being the only Nay vote. He was encouraged by that vote in that they don't all seem to share Mr. Feldmeyer's reasoning on this and other issues. Mr. Feldmeyer's statement was that he doesn't want to micromanage, but . . .

Mr. Ream has discovered that they are meeting tomorrow. They will be discussing this issue. He plans on attending this meeting in Lake Havasu City once again. He requested any help the Board can give him.

Mr. Porter noted that the Board has a very strong ally who is very angry over this. She spoke with Mr. Feldmeyer and explained the importance of Contact Point to Lake Havasu City. She offered to give him a tour of the area so he could see for himself. He is persistent and he will not go away.

Mr. Woodling asked what Mr. Feldmeyer's term is on their board.

Mr. Ream responded that it is through 2012.

#### **Board Action**

**Mr. Woodling:** I move that Arizona State Parks Board urge ADOT to continue its support of the Arizona State Parks Road Program. It benefits the people of the State of Arizona and visitors from other states. The past and future projects are vital to the safety of our visitors, a symbol of Arizona's commitment to its people in the natural, cultural, and recreational treasures that make this state great.

Mr. Colton seconded the motion and it carried unanimously.

Mr. Ream noted that Chairman Cordasco signed a letter to this effect prior to the motion being passed. Now that it has been passed, he will deliver it to Mr. Lane tomorrow in Lake Havasu City.

### **3. Picket Post House**

Mr. Ream reported that last week there was a stalemate as to who makes the first move in negotiations. Ms. Tina Rose called him. Since he is not in negotiations (Trust for Public Lands is negotiating for this property), he did specifically speak with Ms. Rose. Since then he has spoken with the Trust for Public Land and they are willing to help in either way – take the lead in negotiations or take a back seat and let him take the lead. The Trust for Public Land needs about \$300,000 off the top to cover their administrative expenses in order for them to fund and do this deal (their loan of the money and all of the above) and to pick up all of the options as they come due. They are willing to stay with that option side if we want to make the deal. If we want to make a deal with them and if we were going to buy this first phase of this property for a million dollars (just to use round numbers) leaving the Board \$1.8 million in residual and a one-year option for the next phase which might be another million dollar phase and we were unable to meet that obligation Trust for Public Land said they would meet that secondary obligation. The nice thing about that is that they would no longer require \$300,000. They would still need between 6%-7% to cover their administrative costs. They would look for that from the Seller. There are a couple of ways to do this. He will speak with Mr. Paul Oddley and the Roses to decide which is the best deal. He will try to bring a crafted deal to the Board in January.

Vice Chairman Scalzo stated that this issue will be on the January Agenda.

### **4. Tam O'Shanter**

Mr. Travous reported that there will be a hearing but it will not go to mark-up this calendar year. Different interest groups will be meeting on this next week with Resolution Copper to discuss options. They are talking to the Governor's Office about her letter to the Congressional Delegation.

### **G. CALL TO THE PUBLIC**

There was no public remaining in the room.

### **H. TIME AND PLACE OF NEXT MEETING AND CALL FOR FUTURE AGENDA ITEMS**

- 1. Staff recommend that the next meeting be held in Phoenix, AZ on January 18, 2008 at their Board Room located at 1300 W. Washington St., Phoenix, AZ.**

Vice Chairman Scalzo stated that the next Board meeting will be in the Board Room at 1300 W. Washington Street, Phoenix, at 10:00 a.m. on January 18, 2008.

- 2. Board members may wish to discuss issues of concern and request staff to place specific items on future Board meeting agendas.**

Mr. Porter stated that for at least a while into the future he would like to see the issue of the Foundation on every agenda. The Foundation must get the administrative services issue taken care of.

Mr. Travous noted that the Attorney General's Office requested it be removed from this Agenda.

Mr. Porter stated he does not want to lose track of it.

Mr. Travous responded that the Attorney General's Office is working on this issue because it is bigger than just ASP.

## **I. ADJOURNMENT**

Mr. Colton made a motion to adjourn the meeting. Mr. Porter seconded. The motion carried unanimously and the meeting was adjourned at 1:30 p.m.

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Pursuant to Title II of the Americans with Disabilities Act (ADA), Arizona State Parks does not discriminate on the basis of disability regarding admission to public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the acting ADA Coordinator, Karen Farias, (602) 364-0632; or TTY (602) 542-4174. Requests should be made as early as possible to allow time to arrange the accommodation.

**APPROVED:**

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William C. Cordasco, Chairman

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Kenneth E. Travous, Executive Director